

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

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E.O. 11652: N/A

TAGS: EFIN, IS

SUBJECT: NEW BANK OF ISRAEL GOVERNOR

1. SEPTEMBER 5, GOI NOMINATED ASHER YADLIN AS GOVERNOR OF BANK OF ISRAEL (BOI) FOR FIVE-YEAR TERM BEGINNING NOV 1. YADLIN IS PRESENTLY DIRECTOR GENERAL OF KUPAT HOLIM (ISRAEL'S LARGEST HEALTH INSURANCE SYSTEM WHICH IS RUN AND CONTROLLED BY HISTADRUT). HE WAS FORMERLY SECRETARY GENERAL OF HAVRAT OVDIM, HISTADRUT'S INDUSTRIAL HOLDING COMPANY, AND HAS A BACKGROUND IN KIBBUTZ AND IONEER YOUTH MOVEMENTS. YADLIN HAS SPENT A CONSIDERABLE AMOUNT OF TIME IN THE U.S.; HE RECEIVED A B.A. FROM THE NEW SCHOOL AND AN M.A. IN ECONOMICS FROM CCNY. HE VISITED THE U.S. ON A 30-DAY IV GRANT I SEPT-OCT 1968. HE IS 53 AND COUSIN OF EDUCATION MINISTER AHARON YADLIN.

2. PRESENT BOI GOVERNOR SANBAR QUOTED IN PESS AS SUPPORTING YADLIN'S APPOINTMENT AND CALLING HIM NOT ONLY A GOOD ECONOMIST BUT ALSO A PERSON WITH A GOOD KNOWLEDGE OF ISRAEL'S ECONOMY. SANBAR NOTED THAT YADLIN'S HAVRAT
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OVDIM BACKGROUND WOULD HELP ESTABLISH CLOSE RELATIONS

WITH ISRAEL'S BANKING SYSTEM SINCE HAVRAT OVDIM IS AFFILIATED WITH BANK HAPOLIM, ISRAEL'S SECOND LARGEST BANK. SANBAR ALSO CALLED FOR TRIPARTITE ECONOMIC PACKAGE ALONG LINES OF 1970'S ARRANGEMENT BETWEEN GOI, HISTADRUT, AND MANUFACTURERS. UNDER SUCH AN ARRANGEMENT, GOI WOULD CUT SPENDING, HISTADRUT WOULD RELINQUISH COST OF LIVING ALLOWANCE, INVESTORS WOULD FOREGO INDEX LINKAGE ON BONDS, AND MANUFACTURERS WOULD NOT RAISE PRICES.

3. COMMENT: FOLLOWING ANNOUNCEMENT OF YADIN'S APPOINTMENT, A LABOR PARTY MK COMMENTED TO EMBOFF THAT TO BE EFFECTIVE IN PRESENT SITUATION BOI GOVERNOR MUST COMMAND RESPECT ON BASIS OF EITHER HIS BANKING EXPERTISE OR HIS STANDING IN LABOR PARTY. MK OBSERVED THAT YADLIN FULFILLS THE SECOND CRITERION AND IS THEREFORE A GOOD CHOICE.

4. YADLIN APPOINTMENT REPRESENTS MOVE BY GOI TO REPLACE STRIDENT CRITIC WITH TEAM PLAYER. HOWEVER, IT IS NOT EASY TO PREDICT BOI GOVERNOR'S PERFORMANCE. WITNESS CASE OF SANBAR WHO WAS WIDELY TOUTED TO BE A MERE "YES MAN" TO EX-FINANCE MINISTER SAPIR WHEN APPOINTED FIVE YEARS AGO TO GOI JOB SANBAR'S SUBSEQUENT OUTSPOKENNESS SURPRISED MOST OBSERVERS, PHERHAPS EVEN SANBAR HIMSELF. TOON

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